

REMARKS

After entry of the foregoing amendment, claims 2 and 7-20 are pending in the application.

To expedite prosecution, claims 1 and 3-5 have been canceled – without prejudice to applicant's right to file claims of commensurate scope in one or more related applications.

Claim 6 has been canceled as drawn to a non-elected invention.

New drawings are submitted herewith to facilitate understanding of the invention. The specification has been amended to include reference to these drawings.

Claim 2 has been rewritten in independent form, by including limitations from claim 1.

The rejection of claim 2 over Walsh in view of Manico has been withdrawn, and a new rejection has been made. Claims 7-20 also stand rejected. Reconsideration is requested.

Claim 2 now stands rejected (together with claims 7-8 and 15-16) in view of Reeley (5,893,037) in view of Ray (6,192,257).

Ray is said by the Examiner to disclose "a video phone having a processor (452) and an encoder (414) wherein the processor for encoding plural-bit data steganographically within image data," citing Ray at Fig. 4, and Column 4, lines 6-27. However, neither the cited excerpts, nor any other part of Ray, is understood to teach any encoding of plural-bit data steganographically within image data.

Indeed, Ray is not found to mention steganographical encoding, or steganography, at all.

Fig. 4 is a block diagram of one of Ray's embodiments, and is not understood to relate to steganographical encoding.

The cited excerpt in column 4 details certain aspects of the processing of image data captured by the camera, but again is not understood to relate to steganographic encoding.

Since the art fails to teach that for which it has been cited, a *prima facie* showing under § 103 has not been established. Accordingly, applicant does not lengthen this response by belaboring other points that might be made in support of patentability of this

and other claims.

Ray is also relied upon in the rejection of each of the other still-pending claims. Each of these rejections similarly fails.

Claim 2 has now been twice rejected. It was initially rejected over Walsh/Manico. It has now been rejected over Reece/Ray. As demonstrated, both of these rejections are ill-founded. Accordingly, a Notice of Appeal accompanies this response.

Favorable reconsideration and passage to issuance are solicited.

Date: June 11, 2004

CUSTOMER NUMBER 23735

Phone: 503-885-9699
FAX 503-885-9880

Respectfully submitted,

DIGIMARC CORPORATION

By



William Y. Conwell
Registration No. 31,943